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SUBJECT: BANGLADESH PM REMAINS COOL TOWARD NOBEL LAUREATE

REF: DHAKA 469

Classified By: CDA a.i. Nicholas Dean, Reasons 1.4 (b) and (d)

Summary

1. (C) A prophet has no honor in his own country, at least as far as Nobel Peace Laureate Muhammad Yunus and Bangladesh's Awami League government is concerned. Prime Minister Sheikh Hasina and Foreign Minister Dipu Moni made clear their distrust and suspicion of Yunus in several recent meetings with senior USG officials. While they claimed Yunus engaged in corrupt practices at Grameen Bank, his micro-credit brainchild, Yunus' ties to the recent Caretaker Government and his brief contemplation of a role in Bangladesh politics are more likely the reasons for Awami League disdain.

Background: Ties to the caretakers

2. (C) During the term of the 2007-2008 Caretaker Government (CTG), some of the CTG's military backers approached Muhammad Yunus about setting up a political party as an alternative to the two leading political parties, the Awami League (AL) and the Bangladesh Nationalist Party (BNP). It is likely some of the caretakers hoped Yunus' international stature as a Nobel Peace Laureate and founding father of micro-credit could translate into a domestic political force that could rid Bangladesh of its endemic corruption and dynastic politics. Yunus briefly flirted with a political bid, but quickly decided he, and Grameen Bank, were better off remaining outside politics.

New GOB signals displeasure with Grameen

3. (C) No one in Bangladesh can escape politics, however. Following the December 2008 national elections that swept the Awami League and Prime Minister Sheikh Hasina into power, it soon became clear the new Government of Bangladesh (GOB) was not interested in helping Professor Yunus or Grameen Bank. The Caretaker Government had passed an ordinance that empowered the Grameen Bank board of directors to appoint its Chairman. Previously, the GOB, which originally held a majority stake in Grameen Bank, had final authority over the Chairman's appointment. The Prime Minister signaled her displeasure with Yunus by refusing to ratify the CTG's ordinance as required under Bangladesh law. The GOB therefore retains its power to appoint Grameen's Chairman.

4. (C) At the same time, the Awami League Government decided not to renew the leases on close to 1,000 fish farms managed under Grameen's fisheries program since 1986. According to Grameen Fisheries, it took poorly-run, government-owned fish

ponds and transformed them into viable operations that support more than 10,000 families. The GOB now plans to reclaim the ponds. The GOB also has not granted approval of a Yunus plan to put establish a job placement/training venture.

Ambassador weighs in with Prime Minister

15. (C) Fearing GOB displeasure with him would jeopardize Grameen Bank and his other initiatives, Yunus requested the Ambassador put in a good word with the PM on behalf of Grameen and Yunus. In a November 5 meeting with Hasina, the Ambassador highlighted the upcoming visit of Ambassador-at-Large for Global Women's Issues Melanne Vermeer. The Prime Minister brightened saying that she remembered Vermeer and looked forward to seeing her. The Ambassador then suggested that Vermeer was also interested in meeting with Yunus; offering this as one of many examples where improved relations between the GOB and Yunus would be good for Bangladesh. At this, the Prime Minister theatrically rolled her eyes and shook her head. She spoke at length about her estrangement from Yunus and nodded her agreement when an advisor in the meeting characterized Yunus as ungrateful for the Grameen Phone deal that the Prime Minister had made possible.

16. (C) Most keenly, the Prime Minister felt Yunus had exercised poor judgment by courting military officers who had presented Yunus the possibility of coming to power through military backing in early 2007. She concluded the subject of Yunus by saying, "Perhaps we don't work together. But we

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don't stop him. When I was in Sweden (recently), Yunus was there and we exchanged hands. It is our family tradition."

Foreign Minister blasts Yunus

17. (C) During Ambassador Vermeer's November 11 meeting with the Prime Minister, Ambassador Vermeer noted Grameen's good work and Professor Yunus' plans to start a nursing school in Bangladesh. The PM did not comment except to note that health care was a top GOB priority and the GOB would support anyone in the private sector wishing to establish a nursing school. When Ambassador Vermeer met with Foreign Minister Dipu Moni the next day, however, the Foreign Minister had a litany of complaints against Yunus.

18. (C) In a one-on-one session that lasted more than an hour, the Foreign Minister presented a range of allegations against Yunus and Grameen. She complained about the high interest rates Grameen charges its customers and alleged that the bank used "vicious practices" to recruit customers and obtain loan payments. The Foreign Minister claimed Yunus broke rules and Grameen didn't comply with Bangladesh law, including auditing requirements. She said many people in Bangladesh were upset when Yunus won the Nobel Peace Prize given his corrupt practices. She also said GOB leaders understood the power of Yunus' international reputation and therefore "bite our tongues" when accolades were heaped upon him. On a personal note, the Foreign Minister also complained that Yunus did not visit Sheikh Hasina in the hospital when she was injured in a 2004 bomb attack.

Yunus responds

19. (C) Ambassadors Vermeer and Moriarty met with Yunus November 11, as he was returning to Bangladesh from Germany, where he had joined Nelson Mandela and other luminaries in the Berlin Wall anniversary festivities. The Ambassadors relayed GOB complaints to Yunus, who said they echoed much of what he was hearing from his sources. He disputed all the allegations, noting that Grameen had nearly 8 million

borrowers and had disbursed \$8 billion in loans since its inception, more than 95 percent of which had been repaid. He said bank customers currently had the equivalent of half-a-billion dollars in savings at Grameen. According to Yunus, he and Grameen complied with all laws, including annual audits.

¶10. (C) Yunus agreed that the Prime Minister likely viewed him as part of the Caretaker Government that tried to remove her and her rival, Begum Khaleda Zia of the opposition BNP, from Bangladesh's political scene. Yunus said the PM's attitude was, "you're either with me or against me." (NOTE: For her part, BNP Chairperson Khaleda Zia has adopted a much friendlier tone towards Yunus, leading some to accuse him of harboring BNP sympathies. END NOTE.)

¶11. (C) Yunus said he would continue to forge ahead with his work at the bank and other Grameen initiatives, including in the areas of health care and social entrepreneurship. He predicted his work would be slowed by the GOB, however, since any new business or organization he planned to start would require some sort of GOB license or approval. Yunus said he had hoped someone would be able to mediate on his behalf; however, he understood the difficulty in doing so given that both Sheikh Hasina and FM Moni were not willing to meet him.

Comment

¶12. (C) Despite the wide ranging claims of Yunus' misdeeds by the PM and FM, it is likely their biggest problem with Yunus is connected to his brief contemplation of politics. That foray, however short, is proof in their minds that Yunus -- backed by his millions of borrowers -- seeks to usurp them. The unwillingness of the Prime Minister and Foreign Minister to accept positive statements about Yunus from us means that for the time being we must find other ways to support the work of Grameen. Perhaps our efforts are best directed at specific Grameen projects, many of which include U.S. companies or organizations as partners. We will also continue to work with potential mediators such as PM Foreign Policy Advisor and longtime Yunus confidante Dr. Gowher Rizvi.

¶13. (C) This dispute also raises questions about the long-term future of Grameen Bank. Yunus is 69 years old. He told Ambassadors Moriarty and Verveer he had offered to retire on a number of occasions, but the bank board had

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refused his offers, claiming there would be a run on the bank if he left. Yunus said he had been grooming a successor, but claimed GOB leaders had wooed that person into their camp and now he was working against Yunus within the bank. If Grameen Bank is to continue transforming lives as it has for the last two decades, Yunus and the bank must find a way for Grameen to keep working even after Yunus is gone.

¶14. (U) S/GWI cleared this cable.

DEAN